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Report Highlights:

Crop procurement prices were increased in 2008 due to the increase in fuel prices. Customs duties on soybean meal were reduced significantly. Customs duties on some agricultural products continue to be relatively high. Processed food products imports from non-Arab countries are gradually being permitted to be imported. Government support programs for bread as well as rice and sugar sold by the ration card continue.

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SECTION I. EXECUTIVE SUMMARY

Syria is still working slowly on liberalizing its trade policies. The private sector is now permitted to import a variety of products. Imports are still subject to strict regulations. The Syrian standards that apply to imports are strongly enforced. Imports, except from other Arab countries, are subject to customs duties. The duties on many agricultural products, fruits and vegetables for example, are still relatively high reaching 50 percent, reflecting the government's desire to continue protecting these sectors. The government still utilizes export restrictions to control local prices.

Syria has requested membership in the World Trade Organization (WTO). The improvement in Syrian-EU relationship may lead to the partnership agreement ratification by the EU countries in 2009. Although the Greater Arab Free Trade Agreement (GAFTA) went into effect on January 1, 2005, eliminating many duties and trade restrictions for imports from Arab countries, some barriers persist.

SECTION II. AGREEMENT COMPLIANCE

World Trade Organization

Syria has not joined the WTO, but has submitted an accession request. The Syrian Ministry of Economy and Trade has established a special department to follow up on the WTO issue.

Market Access

Tariff rates for bulk commodities, mainly grains (wheat, barley, corn, and other feed ingredients) are low: one percent, collected at the rate of 47.50 Syrian pounds (SP) per USD. Customs duties on imported soybean meal were reduced to one percent in 2008 in order to reduce poultry feed prices after international prices of grains and soybeans significantly increased in 2008. Rates for other protected products are higher, ranging up to 50 percent for alcoholic drinks. Please refer to table in Reference Material Section for tariffs on specific commodities. However, import requirements and procedures are complicated, especially the requirement that importers obtain an import license from the Ministry of Economy and Trade. In addition, importers of agricultural and food products often must secure prior approval from the Ministry of Agriculture and Agrarian Reform. Syria once prohibited imports of all processed foods, honey, vegetables, most fruits, cheese, poultry products, and meat from non-Arab countries. Many food products are gradually being permitted to be imported such as cheese, honey and wine. Some products continue to enter Syria through Lebanon, but not at the same rate that prevailed in the past. Imports of cigarettes are still restricted to the public sector. The use of export restrictions to control local market prices is not an effective measure. It was used in 2008 for feed and poultry products and could have done more damage than benefit.

Sanitary and Phytosanitary Measures

The Syrian government requires importers to submit a certified phytosanitary certificate with all food and feed products. This certificate has to be notarized by the Syrian Embassy in the country of origin (or any Arab embassy in case there is no Syrian embassy). For animal products, a veterinary certificate is necessary. The validity of this certificate is 60 days. This affects imports from far sources such as the United States. Another requirement for customs clearance mandates that more than 50 percent of the shelf life should be remaining when the goods are to be cleared from customs. Imports of sunflower seeds for crushing purposes are permitted, provided that the seeds are not genetically modified. To date, this GMO requirement has not been extended to other products.

Non-tariff Barriers

1. Import Permits

An import license issued by the Ministry of Economy and Trade is required before any commodity can be imported into Syria. Imports of certain food or feed commodities also require the prior approval of the Ministry of Agriculture and Agrarian Reform. Syria is gradually permitting imports of all processed foods from countries that are non-GAFTA members. Under GAFTA, these products can now be imported from Arab countries. (GAFTA includes Morocco, Algeria, Tunisia, Saudi Arabia, Bahrain, Kuwait, Egypt, Libya, Iraq, Jordan, Lebanon, UAE, and Oman)

2. Labeling Requirements

Labeling regulations on packaged food products are strictly enforced. The Syrian Ministry of Economy and Trade sets the labeling requirements for imported food while the Customs Department implements these requirements on imported packaged food commodities. All packages of imported food products should include the following basic information in Arabic: Brand name, producer's name, country of origin, date of production, date of expiry, net weight or size, and ingredients. Batch number is necessary for certain processed products. Other languages may also be present on the label provided the required information is present in Arabic. Labels must be printed on the container, or placed on the container at the time of production and cannot be added after the goods arrive. Stick-on labels are not permitted.

3. Shelf Life

Any product that exceeds its set shelf life is considered to be unfit for human consumption and must be removed from shelves. Customs will not clear a product if half its shelf life has passed.

4. Product Standards

The Syrian General Organization for Standards and Metrology sets product standards. It is the responsibility of the importer to obtain these standards and import the commodity according to these standards.

5. Certification

Imports of food products should be accompanied by a certificate of origin, a phytosanitary certificate, an analysis certificate, and a certificate for the level of radiation. All certificates must be authenticated by the Syrian embassy in the country of origin, or any other Arab consulate if there is no Syrian embassy in the country of origin.

Domestic Support

Producer Measures

The government sets prices for certain strategic crops such as wheat, cotton, barley, corn, sugar beets and leaf tobacco. Government-set prices for such products were above international prices in the past, but with the sharp increase in grain and oilseed prices over the past year, many of the government fixed prices fell below prevailing market prices. After fuel prices were significantly increased in May 2008, prices of wheat, corn, and barley were increased, but with the recent decrease in international market prices for these crops, the local prices have become higher than the international prices for these grains. Prices of wheat and other major agricultural crops are expected to be adjusted backwards in 2009, especially if the government reduces the price of diesel, the major fuel used in agricultural production.

Wheat

Wheat procurement prices are currently much above international prices. In 2008, the government raised wheat procurement price twice and set very difficult restrictions on the

movement of wheat between production and consumption areas. This is all intended to maximize its purchases from the local crop. These prices are expected to be adjusted backwards for the 2009/10 crop because they are about double the international prices for wheat now.

Corn and Barley

Corn and barley prices were increased significantly in 2008. However, this did not help the government purchase any significant quantities of barley from the 2008/09 crop due to the small crop. However, corn purchases by the General Organization for Fodder hit a record because the current procurement prices are about 50 percent above the international price for corn.

Soybeans

Soybean production is relatively new in Syria. The government established a high price ten years ago as a measure to encourage farmers to plant soybeans. In 2006, the government decided to buy locally produced soybeans at international prices. Governmental entities could not purchase any quantity from the local crop in 2008. The local price of soybeans is very much dependent on the international market prices. The soybean crop is insignificant, estimated around 10,000 MT in 2008.

Cotton and Tobacco

A large number of farmers are involved in the production and processing of these crops. The government sets the prices with little regard to international prices for these commodities. It determines prices by calculating the cost of production and then adding a reasonable profit margin for the producer. This policy is expected to continue in the foreseeable future. However, the cost of production has significantly increased with the increase in diesel fuel prices in May 2008. The government increased cotton procurement prices in 2008 and offered to give a special bonus of 3000 Syrian pounds (about 64 dollars) per dunum (1000 square meters) of land planted with cotton and irrigated by pumps that are run by diesel fuel. Leaf tobacco procurement prices have been recently increased by about 15 percent.

Sugar beets

Sugar beets are the only local source of raw material for public sector sugar mills. The cost of production of sugar used to be much higher than the cost of imported refined sugar. In spite of that, the government continues to plant nearly 34,000 hectares of sugar beets to produce 80,000 – 90,000 tons of refined sugar, 10 percent of the local requirement for sugar. The farmers are given a high price to encourage sugar beet production. This measure is not expected to change even after the private sector started refined sugar production on large scale from imported brown sugar. Procurement prices for sugar beets were increased in 2008 to compensate for the increase in the cost of production and transportation resulting from the very high fuel price increase in May 2008.

Consumer Measures

The government subsidizes the prices of bread as well as quantities of rice and sugar sold through the ration card system at prices lower than half the prices in the free market. The government is

planning to reduce the subsidy cost for these food items. The subsidy cost would significantly go up with increased prices for wheat for the 2008/09 crop. Changing subsidized bread prices would require a decision at the highest level of the government.

Bread

Bread prices are heavily subsidized. The government practically doubled procurement prices for wheat in 2008 and did not change the subsidized bread prices. The government is giving bakeries a certain amount of diesel fuel at the old heavily subsidized prices in order to keep subsidized bread prices at the same level. Non-subsidized bread prices have gone up due to wheat and diesel price increases in mid-2008 and are recently going back slightly after international prices for wheat have gone down. The government stores the grain, mills it, and sells the wheat flour to produce bread at less than half its real cost. The bread subsidy used to cost the government over 25 billion Syrian pounds (USD 530 million) per year. This subsidy cost probably doubled in 2008.

Sugar

Locally produced sugar and imported sugar are sold through the ration card system at less than half cost. Every Syrian is entitled to buy one kilogram per month at this subsidized price. Local production of refined sugar from imported brown sugar started in January 2008 with a one million ton annual capacity. This capacity will double when the second sugar processing plant will be on stream in 2009.

Rice

All rice requirements are imported. The government imports approximately 100,000 tons of rice per year and sells the majority of that quantity through the ration card system. Every Syrian is entitled to buy half a kilogram of rice per month at a price of 21 cents per kilogram. In 2008, Egypt prohibited rice exports. Contracts for over 100,000 MT of Egyptian rice could not be performed. This led to a delay in selling rice by the ration card for many months.

Other Trade Agreements

On January 1, 2005, all customs duties were eliminated on imports from Arab countries under the Greater Arab Free Trade Agreement (GAFTA).

Syria negotiated an agreement with the European Union under the EU system of partnership or association agreements with Mediterranean countries. Syria had to wait for EU member states to ratify it before implementation. This ratification is expected around mid-2009. When finalized, the agreement will provide Syria with greater access to EU markets. On the other hand, the agreement will enable the EU to export products to Syria with reduced customs duties that will be completely eliminated after 12 years.

Syria signed a free trade agreement with Turkey, which was implemented on the first of January 2007. The terms of the agreement are very similar to the partnership agreement that will be ratified with the EU. A big selection of legally imported Turkish products is currently sold in the local market.

Reference Material:
Import Tariff Rates:

<i>Item</i>	Customs duties %
Poultry birds, bees	5
Cows, sheep, goats, camels	3
Meat: Fresh, chilled	5
Frozen beef and mutton	10
Frozen poultry parts	20
Ornamental fish	50
Milk powder, baby milk	3
Cream	30
Butter	7
Butter ghee	20
Cheese, white	30
Cheese, processed, cheddar, blue cheese	40
Eggs, honey	20
Hatching eggs	5
Fish fillet (fresh, chilled, or frozen)	20
Bulbs, seedlings	10
Mushrooms, truffles	30
Olives, vegetables, potatoes, sweet corn, capers, legumes	50
Almonds, hazelnuts, pistachios, brazil nuts, cashew nuts	30
Walnuts, shelled	15
Citrus fruits, watermelons, figs, grapes, strawberries	50
Bananas	40
Dates, coconuts, pineapples, mangoes, guava	10
Tea, thyme, cardamom, nutmeg, cinnamon	10
Coffee beans	5
Coffee extracts	30
Anis, cumin, saffron, ginger, caraway, saffron	30
Vanilla	3
Wheat, barley, corn	1
Rice	3
Corn flour	5
Wheat flour	10
Soybeans, sesame, hops, sunflower seeds, castor beans	1
Planting seeds	1
Hops extract	7
Gum	3
Corn oil	5
Sunflower seed oil, soybean oil	10
Margarine	20
Prepared beef, mutton, and poultry meat	50

Item	Customs Duties %
Meat extracts	50
Raw sugar	1
Refined sugar	5
Glucose, lactose, fructose, maple syrup	1
Cocoa beans, cocoa butter, paste, and powder	1
Chocolates	50
Baby food	5
Pasta, bread	50
Corn flakes, biscuits	50
Ice cream	50
Jams, pineapple juice	50
Mushrooms, truffles	50
Prepared olives, prepared fruits and vegetables, tomato paste, soups, jam, fruit juices	50
Mustard, sauces	30
Ketchup and other tomato sauces	50
Coffee whitener	20
Yeast	3
Mineral water, non-alcoholic drinks	50
Beer, wine, champagne, cider	50
Alcoholic drinks	50
Fish meal, meat and bone meal	30
Soybean meal	1
Corn gluten meal	10
Feed supplements	5
Bran (from wheat, corn, and rice)	3
Pet food	50
Leaf tobacco	5
Cigarettes, tobac, cut tobacco	20
Cigars	50